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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/21/07

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)
- 4) Asahi poll: Cabinet support plummets 13 points to 31 PERCENT ,  
with non-support rate now at 48 PERCENT ; If Lower House election,  
38 PERCENT would vote for DPJ, 23 PERCENT for LDP (Asahi)
- Defense and security affairs:
  - 5) Diet deliberations to extend into January on new antiterrorism  
special measures bill allowing MSDF refueling mission to continue  
(Yomiuri)
  - 6) Democratic Party of Japan (DPJ) to present own counterproposal to  
the government's antiterrorism special measures bill (Nikkei)
  - 7) Defense scandal: JDA procurement officer in 2002 falsified  
investigative report into bill padding by Yamada Corp. (Yomiuri)
  - 8) Defense Ministry plans to test PAC3's missile intercept  
capability next fall in the U.S. (Mainichi)
  - 9) Draft defense budget contains a 9 billion cut in host nation  
support for stationing U.S. forces in Japan (Nikkei)
- 10) Nation's budget draft for fiscal 2008 shows policy switch toward  
assisting regional economies, socially weak population (Mainichi)
- Political agenda:
  - 11) Weak government decision on hepatitis C virus infections lawsuit  
seen as lack of leadership by the prime minister (Sankei)

- 12) Prime Minister Fukuda puts off reaching conclusion on scrapping and consolidating independent administrative corporations (Asahi)
- 13) New ROK President Lee in unusual move meets with U.S. and Japanese ambassadors (Sankei)
- 14) China's ambassador believes the bilateral gas-field issue can be resolved in the Fukuda-Hu summit meeting (Asahi)
- 15) Government report optimistic about Japan cutting greenhouse gas emissions by 6 PERCENT under Kyoto Protocol (Yomiuri)

Articles:

1) TOP HEADLINES

Asahi:

Public support for cabinet plummets to 31; 38 PERCENT say they would choose DPJ in proportional representation in Lower House election, 23 PERCENT LDP

Mainichi:

Kanagawa Prefectural Police superintendent admits to soliciting his subordinate to join spiritual healing salon; Lives with female president

Yomiuri:

Revision of agricultural administration: Income compensation for small-scale farmers; Policy switch could give rise to concerns about pork-barrel spending

Nikkei:

Toshiba to tie up with Sharp, withdrawing tie-ups with Matsushita

TOKYO 00005633 002 OF 011

and Hitachi: LCD panels to be procured at Sharp's Sakai plant

Sankei:

Drug-induced hepatitis: Reconciliation talks bog down with plaintiffs refusing state proposal; Premier to continue negotiations

Tokyo Shimbun:

Damage caused by pseudoreligious entity's spiritual healing business likely to total 10 billion yen; Kanagawa police search home of superintendent

Akahata:

Government refuses blanket relief for victims in lawsuit over drug-induced hepatitis

2) EDITORIALS

Asahi:

- (1) Drug-induced hepatitis reconciliation proposal: More resourcefulness needed for settlement
- (2) NHK chairmanship: Business leaders are not appropriate

Mainichi:

- (1) Drug-induced hepatitis reconciliation talks: Government proposal shameful
- (2) Draft fiscal 2008 budget: Future of fiscal reconstruction worrisome

Yomiuri:

- (1) Draft fiscal 2008 budget: Managing fiscal resources has reached limits
- (2) Missile defense: Important for Japan and U.S. to cooperate for effective operation

Nikkei:

- (1) Fukuda budget blurs road to fiscal reform
- (2) Drug-induced hepatitis: Is the premier's desire for settlement only lip service?

Sankei:

(1) Fiscal 2008 budget: Fiscal reconstruction possible with this budget?

(2) Hepatitis lawsuit: State and plaintiffs should search for settlement

Tokyo Shimbun:

(1) Drug-induced hepatitis: Search for breakthrough

(2) Informal release of draft budget: Too many appropriations to make accounts balance

Akahata:

(1) Hepatitis lawsuit: Government should not abandon patients

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 20

NIKKEI (Page 2) (Full)  
December 21, 2007

09:01

TOKYO 00005633 003 OF 011

Attended a special cabinet meeting in the Diet building. Later, met Health, Labor and Welfare Minister Masuzoe and Chief Cabinet Secretary Machimura. Machimura stayed behind.

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09:46

Met Economic and Fiscal Policy Minister Ota at the Kantei.

10:34

Held an interview for a New Year special edition with former Nippon Keidanren Chairman Okuda and Jomo Shimbun President Takahashi.

11:30

Met LDP Women's Section Chief Arimura. Later met Transport Minister Fuyushiba. Followed by Machimura.

13:24

Met U.S. Ambassador Schieffer. Followed by deputy chief cabinet secretaries Ono and Iwaki.

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14:55

Met Deputy Chief Cabinet Secretary Futahashi.

15:59

Met Administrative Reform Minister Watanabe. Followed by ocean law Follow up study group president Nakagawa, former secretary general, and co-chairmen Maehara, former DPJ president, and Oguchi, a New Komeito member. Nakagawa stayed behind.

17:26

Met with Ota for recording for a year-end special program by a Gunma TV station.

18:15

Met Japan Center for International Finance Advisor Watanabe.

19:03

Met Deputy Foreign Minister Kono

19:49

Met with Deputy Foreign Minister Yabunaka, Asian and Oceanian Affairs Bureau Director General Sasae and others at the Grand Prince Hotel Akasaka.

22:31

Returned to his private residence in Nozawa.

4) Poll: Cabinet support tumbles to 31 PERCENT ; DPJ outpaces LDP in popularity rating for proportional representation

The approval rating for Prime Minister Fukuda and his cabinet was 31 PERCENT in a telephone-based nationwide public opinion survey conducted by the Asahi Shimbun on Dec. 19-20. The Fukuda cabinet's support rate nosedived from the 44 PERCENT rating in the last survey taken Dec. 1-2. Its nonsupport rate rose to 48 PERCENT from 36 PERCENT in the last survey. The Fukuda cabinet's nonsupport rate topped its support rate for the first time. In the survey, respondents were asked which political party they would vote for in their proportional representation blocs if a general election were to take place now for the House of Representatives. In this

TOKYO 00005633 004 OF 011

popularity rating, the leading opposition Democratic Party of Japan (Minshuto) scored 38 PERCENT (32 PERCENT in the last survey), with the ruling Liberal Democratic Party at 23 PERCENT (32 PERCENT in the last survey). As seen from these figures, the DPJ substantially outpaced the LDP. There was not such a wide margin even when the Abe cabinet was in office. The general public is growing critical of the government and the LDP for pension record-keeping flaws and other issues. The Diet, in its current extraordinary session, is debating on a bill resuming the Maritime Self-Defense Force's refueling activities in the Indian Ocean. The ruling coalition is going to revote on the bill in the House of Representatives should it be voted down in the House of Councillors. In the survey this time, there was an increase in the proportion of those negative about the ruling coalition's move to override the bill in the lower chamber.

The Fukuda cabinet's inaugural support rate was 53 PERCENT, which was comparatively high among its predecessors. It remained over 40 PERCENT thereafter. However, the Fukuda cabinet's support rate fell to the level of the Abe cabinet's support rate at its last stage. The most common reason given for not supporting the Fukuda cabinet was "from the aspect of policies" at 57 PERCENT, standing out from all other reasons.

On the issue of pension record-keeping flaws, there are records that are still unclear for about 50 million persons, including about 20 million unidentifiable persons. In the survey, respondents were asked if they thought it was a breach of the Fukuda cabinet's public pledge. In response to this question, 60 PERCENT answered "yes," with 30 PERCENT saying "no." Respondents were also asked if they appreciated the Fukuda cabinet's efforts on the issue of pension record-keeping flaws. To this question, affirmative answers accounted for only 36 PERCENT, with negative answers adding up to 46 PERCENT. Respondents were further asked if they could expect the Fukuda cabinet to dissolve public distrust in pensions. In response, a total of 72 PERCENT answered "no," with only 17 PERCENT saying "yes."

In a survey taken upon the Fukuda cabinet's inauguration, the proportion of those having expectations for the Fukuda cabinet's efforts on the pension issue was as high as 67 PERCENT. In the survey this time, however, the Fukuda cabinet is called into question over whether it can deliver on its pledge.

Under such circumstances, there is also a change in public attitudes over the timing of a general election for the House of Representatives. Respondents were asked if they thought a general election should be held at an early date. To this question, "yes" accounted for 39 PERCENT (34 PERCENT in the last survey), with "no" at 48 PERCENT (55 PERCENT). Among DPJ supporters, "yes" accounted for 69 PERCENT. Among LDP supporters, "no" totaled 71 PERCENT. Asked about the desirable form of government, the proportion of those opting for a DPJ-led coalition government increased to 41 PERCENT (36 PERCENT in the last survey), and the proportion of those choosing an LDP-led coalition government decreased to 28 PERCENT (37 PERCENT in the last survey).

In the breakdown of public support for political parties, the LDP stood at 27 PERCENT (31 PERCENT in the last survey), with the DPJ at 25 PERCENT (31 PERCENT in the last survey). Among other political parties, New Komeito, the LDP's coalition partner, was at 3 PERCENT, with the Japanese Communist Party at 2 PERCENT and the

Social Democratic Party (Shaminto) at 1 PERCENT .

TOKYO 00005633 005 OF 011

Commentary: Fukuda cabinet likely to lose momentum

The Fukuda cabinet's approval rating plummeted and is now down almost to 30 PERCENT , which is said to be the danger zone. The opposition parties hold a majority of the seats in the House of Councillors, and Prime Minister Fukuda is walking a tightrope to steer the Diet. Meanwhile, people are now distancing themselves from Fukuda. The situation for Fukuda and his government will likely be even more difficult. Chief Cabinet Secretary Matsumura hoped to have the Fukuda cabinet's support rate somehow sustained over 40 PERCENT . However, the support rate fell below 40 PERCENT . The prime minister will inevitably lose momentum to lead his ruling coalition.

5) New antiterrorism bill now certain to be carried over to next year

YOMIURI (Page 2) (Full)  
December 21, 2007

The ruling coalition requested in a meeting of the House of Councillors Foreign Affairs and Defense Committee yesterday that a vote be taken on the government's new antiterrorism bill on Dec. 27. But the opposition bloc declined the request, citing that deliberations have yet to be fully carried out. Since the 27th is the day of the committee's last regular meeting, it is now certain that the bill will be carried over to January.

6) Reversing its stance, DPJ to submit alternative bill to government's new refueling legislation in attempt to dampen government, ruling bloc's plan for re-adoption in Lower House

NIKKEI (Page 2) (Full)  
December 21, 2007

Major opposition Democratic Party of Japan (DPJ or Minshuto) President Ichiro Ozawa discussed at party headquarters last night Diet measures with Secretary General Yukio Hatoyama and other party executives. In the session, Ozawa ordered them to submit an alternative bill to the government's new legislation to resume the Maritime Self-Defense Force's refueling operation in the Indian Ocean to the House of Councillors as early as today. The DPJ temporarily gave up on presenting its own bill, but the cabinet's support rates in various opinion polls have plummeted recently and opposition to resuming the refueling operation has also sharply increased. The largest opposition party is set to step up its criticism of the government and ruling bloc that are aiming to readopt the legislation in the House of Representatives by demanding thorough deliberations on the DPJ's counterproposal.

After the meeting, DPJ Diet Affairs Committee Chairman Kenji Yamaoka said to the press: "The Diet session has been extended for over one month, so we will fulfill our responsibility in our own way. We think people, including the prime minister, are willing to consider the matter with us."

Deliberation time on the new refueling legislation will reach 41 hours on Dec. 27 on par with the Lower House, as was asked by the opposition camp. However, the opposition bloc intends to forgo a plan to take a vote before year's end in the opposition-controlled Upper House on the grounds that priority should be given to shedding

TOKYO 00005633 006 OF 011

light on scandals over procurement at the Ministry of Defense (MOD). The opposition bloc also aims to make a decision on whether to submit a censure motion against Prime Minister Fukuda by watching developments in the MOD scandals until the current Diet session closes on Jan. 15.

Whether there will be new developments, as the opposition camp

expects, remains to be seen. It is inevitable for the ruling camp to criticize the opposition bloc's strategy to postpone a vote, arguing that the new refueling legislation has been discussed thoroughly. Once discussion begins on the counterproposal, such criticism can be averted.

7) JDA procurement officer faked report in favor of Yamada Corp.

YOMIURI (Page 1) (Slightly abridged)  
December 21, 2007

It was revealed yesterday in a House of Councillors Foreign Affairs and Defense Committee session that a procurement official at the then Defense Agency had faked a report in March 2002 in favor of defense equipment trader Yamada Corp. that padded the bill for chaff and flare dispensers for Maritime Self-Defense Force helicopters. The procurement officer was dispatched to do field investigations at British defense contractor BAE Systems' factory in the United States. At yesterday's committee session, responding to questions by Tsutomu Okubo of the Democratic Party of Japan (DPJ or Minshuto),

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Defense Minister Shigeru Ishiba offered an apology and said that he would consider punishing the procurement official. He said: "It cannot be denied that the procurement official acted in line with Yamada's will. I will take proper action."

In February 2002, BAE Systems pointed out that the estimates Yamada Corp. submitted to the agency were "fabrications." The agency then dispatched the procurement official to the BAE factory in the U.S. to discover the truth. The procurement official wrote in his report: "(As a result of meetings with BAE officials in charge of the matter) they apologized saying 'we have caused much trouble for the Defense Agency and Yamada Corp.'" Consequently, Yamada was able to escape punishment by the agency. However, the procurement official said in an interview held later: "I did not meet any BAE officials in the U.S. I wrote that in my report at the suggestion of a Yamada Corp. subsidiary employee."

8) PAC-3 also to be tested next fall in U.S. for 1st time

MAINICHI (Page 2) (Full)  
December 21, 2007

The Defense Ministry announced a plan yesterday to test the ground-based Patriot Advanced Capability 3 (PAC-3) interceptor system in the United States in the fall of next year for the first time. The PAC-3, a ground-to-air guided missile as one of Japan's two missile defense (MD) components, was first introduced to Japan in March this year. The PAC-3 test will be carried out at the White Sands missile range in the U.S. state of New Mexico, and the U.S. Army will cooperate on the test. The Defense Ministry explains that it is difficult to test the PAC-3 in Japan because it is too powerful. The Finance Ministry's fiscal 2008 budget plan, informally presented yesterday, earmarks approximately 1 billion yen for the test.

TOKYO 00005633 007 OF 011

The PAC-3 will be deployed to four bases in the metropolitan area by March next year and to a total of 16 bases across the nation by fiscal 2012.

Normally, newly introduced weapons are to be tested before deployment. However, the Defense Ministry decided to go ahead with PAC-3 deployment in the metropolitan area because the threat of ballistic missiles from North Korea and other countries is growing, according to a senior official of the ministry.

9) Finance Ministry proposes 9 billion yen cut in sympathy budget

NIKKEI (Page 9) (Full)  
December 21, 2007

The fiscal 2008 draft budget presented by the Finance Ministry proposes a 0.5 PERCENT cut in the defense budget, down for the

sixth year in a row and the lowest level since fiscal 1995. Although there were such factors for increasing expenditures as fuel price hikes, the ministry decided to review Japan's host-nation support for U.S. military forces in Japan (the so-called sympathy budget) and to improve the efficiency of procurement of defense equipment.

The draft budget reduces the sympathy budget by 9 billion yen to 208.3 billion yen and outlays for facility maintenance, such as housing for U.S. troops, by 9.5 billion yen. As measures to improve the procurement process, the ministry suggests that an open bidding system should be introduced in place of the current negotiated contract system. To curb spending for equipment procurement, the draft budget sets the target of a 15 PERCENT cost cut by fiscal 2011.

The draft budget allocates 19.1 billion yen in expenses for U.S. force realignment plans. To local communities whose financial burden will increase due to relocation plans, 6.2 billion yen in grants will be allocated. The draft budget also calls for significantly increased budgetary allocations to plans to transfer the U.S. Marine Corps' Futenma Air Station and relocate planes on an aircraft carrier to Iwakuni. The draft budget further allocates 2.2 billion yen in activities expenses by the Maritime Self-Defense Force in anticipation of the resumption of its refueling mission in the Indian Ocean.

The Finance Ministry proposes 133.8 billion yen in spending on the missile defense (MD) system and 56.2 billion yen in expenditures for improving the capability of the PAC-3 Patriot missile.

10) Fiscal 2008 budget: Intensive appropriation of funds with eye on blocs of votes: Policy switch to give priority to regional areas, socially weak

MAINICHI (Page 5) (Excerpts)  
December 21, 2007

The Finance Ministry's fiscal 2008 draft budget and draft supplementary budget for fiscal 2007 center on the so-called downside of the Koizumi reform initiative, such as rural areas, agriculture and elderly people. The Liberal Democratic Party (LDP) has concluded that those areas were the causes of its defeat in the July Upper House election. All party members, including reform-oriented groups, have made a policy switch to attach importance to measures to deal with problems regional areas and the

TOKYO 00005633 008 OF 011

socially weak are facing with eye on a dissolution of the Lower House and a snap election. Their policy switch has also been necessitated due to the Democratic Party of Japan's (DPJ or Minshuto) policy of giving priority to people's livelihoods. However, the appropriations of budgetary funds in view of attracting blocs of votes could hamper the effort to reconstruct public finances.

DPJ Policy Research Council Chairman Sadakazu Taniguchi in a speech given at a plenary meeting of his faction on Dec. 20 stressed that budget requests made within the party have generally been adopted. He noted, "It was difficult to compile the budget. However, we have taken pressing issues, such as a sharp rise in crude oil prices and agricultural administration, into consideration." Taniguchi was originally one of the members of the group calling for fiscal reconstruction in principle, but it appears that he has simplified the matters by thinking that there is no other way this time.

In order to stress a stance of attaching importance to regional areas out of reflection on the outcome of the Upper House election, 400 billion yen from two corporate tax sources (business tax and resident tax) concentrated in urban areas would be diverted to local governments. Tokyo Metropolitan Governor Shintaro Ishihara opposed the proposal, but he in the end accepted it in a meeting with Prime Minister Yasuo Fukuda, saying, "You may as well contend against the authorities as reason with a crying child."

The common perception is that impoverished local governments damped the moves of local organizations during the Upper House election

campaign. It would be impossible to increase allocations of consumption tax revenues to local governments as requested when the opposition camp has dominance in the Upper House, as a senior official of the LDP Tax Research Council put it. For this reason, an increase in local allocation tax grants for the first time in three years and transfers of fiscal resources from cities and rural areas symbolized budgetary measures for regional areas.

Agricultural reform started in April. However, the new initiative is unpopular for focusing on large-scale farmers. In response, four LDP executives in an unprecedented move inspected rural areas. The party then incorporated 79.8 billion yen in the supplementary draft budget, which is not subject to the budgetary request guidelines for fiscal 2008, making a public appeal for its measure for small-size farmers, who are said to be moving away from the LDP.

11) Prime Minister Fukuda, battered and wounded, unable to display leadership in settling hepatitis-C issue

SANKEI (Page 5) (Excerpts)  
December 21, 2007

Out-of-court settlement talks on compensation for hepatitis-C infections caused by tainted blood products have ruptured, and the government has retreated from planned reform of independent administrative institutions.

Prime Minister Yasuo Fukuda yesterday failed to show his leadership in dealing with two issues on which he was required to make political decisions. He has given the impression that he favored the bureaucracy and has turned a cold shoulder to the public. Some members of the ruling parties are now expressing their dissatisfaction with the government's response to the hepatitis C

TOKYO 00005633 009 OF 011

problem. With approval ratings for the Fukuda cabinet plunging due to the pension-records mess, the Fukuda government is facing even more adversity by the latest moves.

"Society should not always take it out on civil servants," Fukuda stated in an interview to the Jomo Shimbun, a local newspaper in Gunma Prefecture, his hometown. He strongly indicated a position of backing the bureaucracy.

Fukuda has long been regarded as favoring the bureaucracy since his father Takeo once worked at the Finance Ministry. It can be said that Fukuda's response yesterday to the hepatitis C issue and the reform of independent administrative institutions "exposed his tendency to be completely swayed by the arguments of the bureaucrats," as one mid-level Liberal Democratic Party member said.

Asked by the press last night about his view on the hepatitis-C sufferers' rejection of the government proposal, Fukuda said: "I apologize to the victims for the reoccurrence of a drug-induced disease. We don't think the problem will end with this. We will respond flexibly following the ruling set by the Osaka High Court."

For Fukuda, the issue of settlement talks is entirely in the hands of Health, Labor and Welfare Minister Yoichi Masuzoe, though he is listening to health ministry officials' views. He failed to make a political decision that went beyond the judicial judgment. He never used the wording "my decision."

12) Prime minister puts off conclusion on streamlining independent administrative corporations

ASAHI (Page 4) (Full)  
December 21, 2007

To listen to their views before determining the fate of the Urban Renaissance Agency and the Japan Housing Finance Agency, Prime Minister Fukuda met separately with Land, Infrastructure and Transport Minister Fuyushiba, who opposes privatizing the two corporations, and Administrative Reform Minister Watanabe, who



insists on their privatization. After meeting them, the prime minister told reporters: "We need to investigate a little more. Study is still underway," and he put off a conclusion until tomorrow.

Fuyushiba expressed his desire to retain the two corporations, remarking: "Even if they are reformed in the future, the people will be seriously troubled if they do not keep their current status." In reaction, Watanabe stressed the need for privatizing them.

The plan for streamlining independent special corporations, after being authorized by the prime minister, will likely be adopted at a cabinet meeting on the 24th following the necessary procedures taken in the ruling camp tomorrow.

13) ROK president-elect in rare move holds meetings with Japanese, U.S. ambassadors

SANKEI (Page 2) (Excerpts)  
December 21, 2007

TOKYO 00005633 010 OF 011

Katsuhiro Kuroda, Seoul

South Korean President-elect Lee Myung Bak of the Grand National Party held a meeting yesterday at party headquarters with Japanese Ambassador to South Korea Toshinori Shigeie and discussed future Japan-South Korea relations and other matters. The meeting followed one with the U.S. ambassador. It is extremely rare for a president-elect to hold meetings with Japanese and U.S. ambassadors on the day after the election. The events drew much attention as indicating Lee's stance of attaching importance to Japan and the United States.

In the meeting, Ambassador Shigeie conveyed to Lee congratulatory messages from Prime Minister Yasuo Fukuda and Foreign Minister Masahiko Koumura. In response, Lee expressed his intention to make efforts to build new bilateral relations and strengthen cooperation in dealing with North Korea, stressing the importance of Japan-South Korea relations. At the same time, the president-elect requested Japan's greater investment in his country for improving economic relations.

With the establishment of a new South Korean administration, Tokyo and Seoul are aiming to improve bilateral relations that have become icy under the Roh Moo Hyun administration.

For starters on the diplomatic front, Prime Minister Fukuda is expected to visit South Korea to attend Lee's inauguration on Feb. 25. Tokyo and Seoul are also studying a visit to Japan by President Lee Myung Bak coinciding with the G8 Lake Toya Summit in Hokkaido in July.

Next year marks the 10th anniversary of the Japan-South Korea joint declaration and the 21st century Japan-South Korea action program, released in 1998 during the age of President Kim Dae Jung and Prime Minister Keizo Obuchi. For this reason, plans are in the works in the two countries to strengthen and expand bilateral relations by reconfirming them.

14) Gas field issue can be resolved, says Chinese ambassador, pinning hopes on summit talks

ASAHI (Page 4) (Full)  
December 21, 2007

Chinese Ambassador to Japan Cui Tiankai, 55, held a press conference yesterday at the Japan National Press Club. In the session, touching on Prime Minister Fukuda's planned visit to China from Dec. 27 and Chinese President Hu Jintao's visit to Japan next spring, Cui said: "They are important for (China-Japan) relations. I would like to see the two leaders exchange in-depth views on the future of bilateral relations thoroughly."

In his first press meeting after assuming office, Ambassador Cui

also said about Prime Minister Fukuda: "I have high regard for his stance of putting high priority on China-Japan relations and Asia diplomacy." He also noted about the upcoming series of talks between the two leaders: "I hope they will draw a blueprint for the long-term development of the two countries and build a good framework."

Additionally, regarding the question of jointly developing gas fields in the East China Sea, on which the Japan-China foreign

TOKYO 00005633 011 OF 011

ministerial in early December confirmed to aim at settlement by Prime Minister Fukuda's visit to China, the Chinese ambassador said: "The two countries are facing it with a sense of urgency." He also expressed hope for finding a breakthrough in the talks between the two leaders, saying: "From the broad standpoint of China-Japan relations and long-term common interests, it is a matter that must be resolved without fail. It is a matter that can be resolved."

Meanwhile, regarding Japan-North Korea relations, including the abduction issue, he only said: "In the framework of the six-party talks, a working group has been established for the normalization of Japan-North Korean relations. I expect that they will be handled appropriately through a dialogue between Japan and North Korea."

Ambassador Cui, a native of Shanghai, served as an Asian affairs bureau chief and an assistant foreign minister.

15) METI, Environment Ministry in joint report to endorse possibility of 6 PERCENT cut in greenhouse gas emissions

YOMIURI (Page 2) (Full)  
December 21, 2007

The Ministry of Economy, Trade and Industry (METI) and the Environment Ministry will finalize a final report today on a review of the nation's plan to reduce greenhouse gas emissions to meet the target set in the Kyoto Protocol. The report will require the industrial world and other sectors to reduce an additional 35 million to 36 million tons of gas emissions, specifying that Japan will be able to attain the target of cutting emissions by 6 PERCENT from 1990 levels for fiscal 6 PERCENT .

Under the current plan, it would be difficult for the nation to achieve the target, estimating that Japan's emissions would come in 20 million to 34 million tons higher than what is need to meet its obligation.

The draft report notes that industrial circles' upward revisions in their voluntary action plans will make it possible to cut 18 million tons more. The draft also says that emissions will be reduced by up to 11.5 million tons by applying heat insulation to more houses and improving automobiles' fuel economy, as well as by up to 10.5 million tons by promoting energy conservation at households.

DONOVAN